

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1985 - SB 1956

March 7, 2022

SUMMARY OF BILL AS AMENDED (014418): Creates the “Annual Coverage Assessment Act of 2022”, which extends an annual coverage assessment on hospitals of 4.87 percent of a covered hospital’s annual coverage assessment base. Authorizes the use of funds within the Maintenance of Coverage Trust Fund for programs and initiatives developed by the Division of TennCare (Division) in consultation with the Tennessee Hospital Association to offset the unreimbursed costs of providing services to TennCare enrollees and the financial consequences of the public health emergency cause by the COVID-19 pandemic.

FISCAL IMPACT OF BILL AS AMENDED:

**Increase State Revenue – \$622,396,700/FY22-23/
Maintenance of Coverage Trust Fund**

**Increase State Expenditures – \$622,396,700/FY22-23/
Maintenance of Coverage Trust Fund**

**Increase Federal Expenditures – \$1,197,554,400/FY22-23/
Maintenance of Coverage Trust Fund**

The Governor’s proposed budget for FY22-23, on page A-32, recognizes revenue in the amount of \$609,301,600 in state funds and \$1,171,814,200 in federal funds.

Assumptions for the bill as amended:

- Based on information provided by the Division, the 4.87 percent annual coverage assessment on hospital net revenues (as reported to Centers for Medicaid Services) will result in an increase in revenue to the Maintenance of Coverage Trust Fund (MCTF) of \$622,396,700.
- It is estimated \$175,000 for ADT contract payments and \$750,000 for stipends for healthcare professionals who commit to work in designated medically underserved areas of this state will be expended at a state rate of approximately 50.0 percent and will receive federal matching funds at a rate estimated to be 50.0 percent. The resulting increase in federal funds will be approximately \$925,000 $[(\$175,000 + \$750,000)/50.0\% \times 50.0\%]$.
- In addition, of the total, \$9,547,610 will be expended with no federal match.

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- It is estimated \$611,924,090 (\$622,396,700 - \$925,000 - \$9,547,610) will receive matching funds at a rate of 66.165 percent federal funds to 33.835 percent state funds. The resulting increase in federal funds will be \$1,196,629,449 $[(\$611,924,090 / 33.835\%) \times 66.165\%]$. The total increase in federal funds will be \$1,197,554,449 $(\$925,000 + \$1,196,629,449)$.
- The total increase to the MCTF is approximately \$1,819,951,149 $(\$622,396,700 + \$1,197,554,449)$.

IMPACT TO COMMERCE OF BILL AS AMENDED:

Increase Business Revenue – \$1,819,951,100/FY22-23

Increase Business Expenditures – Less than \$1,819,951,100/FY22-23

Assumptions for the bill as amended:

- Hospital providers will incur an increase in total revenue of \$1,819,951,149 in FY22-23 to cover costs of services provided.
- Hospital providers will incur an increase in expenditures of up to \$1,819,951,149 in FY22-23 to pay for services provided.
- The proposed legislation will not increase the number of hospital providers. It merely deals with the way providers are reimbursed; therefore, any impact to jobs in Tennessee is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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